

Integral Technologies, Inc. (ITKG-OTC)

ITKG: Expected Launch of ElectriPlast a Likely Catalyst; Initiating Coverage with a Buy.

Current Recommendation	Buy
Prior Recommendation	N/A
Date of Last Change	06/05/2014
Current Price (6/9/14)	\$0.26
Target Price	\$0.45

OUTLOOK

Integral Technologies, Inc. has a new management team, new strategy, new product and new alliances with leading partners. The company could be poised for significant upside, we believe, if the expected commercial launch of ElectriPlast, Integral's proprietary conductive plastic, provides proof of concept that it can be used for a myriad of industrial applications. To expedite the commercialization of ElectriPlast, the company has signed several manufacturing and distribution agreements with leading global players and believes that products leveraging ElectriPlast could launch within the next 12-18 months.

SUMMARY DATA

52-Week High	\$0.83
52-Week Low	\$0.24
One-Year Return (%)	-44.44
Beta	1.04
Average Daily Volume (sh)	161,209

Shares Outstanding (mil)	84
Market Capitalization (\$mil)	\$22
Short Interest Ratio (days)	1.6
Institutional Ownership (%)	0
Insider Ownership (%)	13

Annual Cash Dividend	\$0.00
Dividend Yield (%)	0.00

5-Yr. Historical Growth Rates	
Sales (%)	N/A
Earnings Per Share (%)	N/A
Dividend (%)	N/A

P/E using TTM EPS	N/A
P/E using 2013 Estimate	N/A
P/E using 2014 Estimate	N/A

Zacks Rank	N/A
------------	-----

Risk Level	Above Average
Type of Stock	Small-Growth
Industry	Elec-Misc Compn
Zacks Rank in Industry	N/A

ZACKS ESTIMATES

Revenue

(in thousands of \$)

	Q1	Q2	Q3	Q4	Year
	(Sep)	(Dec)	(Mar)	(Jun)	(Jun)
2012	0.0 A	0.05 A	0.04 A	0.02 A	0.10 A
2013	0.07A	0.05 A	0.07 A	0.06 A	0.25 A
2014	6.41 A	6.31 A	6.31 A	6.30 E	25.3 E
2015					

Earnings per Share

(EPS is operating earnings before non recurring items)

	Q1	Q2	Q3	Q4	Year
	(Sep)	(Dec)	(Mar)	(Jun)	(Jun)
2012	-\$0.01 A	-\$0.01 A	-\$0.02 A	-\$0.02 A	-\$0.06 A
2013	-\$0.02 A	-\$0.02 A	-\$0.01 A	-\$0.01 A	-\$0.05 A
2014	-\$0.02 A	-\$0.01 A	-\$0.02 A	-\$0.02 E	-\$0.06 E
2015					

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Disclosures begins on page 21

KEY POINTS

- **Integral Technologies (OTC: ITKG) has a new management team, new strategy, new product and new alliances with leading partners.** The company could be poised for significant upside, we believe, if the upcoming commercial launch of ElectriPlast, Integral's key product, provides proof of concept of its many uses in industrial applications.
- Originally incorporated in 1996, Integral has restructured and repositioned itself to focus on **ElectriPlast, a proprietary conductive plastic technology and product.** Management believes ElectriPlast has substantial commercial applications and potential. To expedite its go-to-market strategy, Integral has signed several key manufacturing and distribution agreements with leading global players and believes that products leveraging ElectriPlast could launch commercially within the next 12-18 months.
- We believe Integral has made significant strides towards monetizing ElectriPlast over the past 14 months under the leadership of CEO Doug Bathauer. In 2013, the company forged agreements with **Hanwha, Delphi** and **BASF Corporation**. While it is still early days for ElectriPlast, **we are impressed with this roster of alliances and believe they reflect well on ElectriPlast's potential commercial viability in a myriad of industries** including the automotive, consumer electronics, cable and wire, and telecommunications sectors, among others.
- Among the various competitive advantages of ElectriPlast, a resin-based, electrically-conductive material, is that **it is roughly 40-60% lighter than metal. The shift to light weighting in the automotive industry is an expected key driver of ElectriPlast adoption.**
- Earlier attempts to commercialize ElectriPlast were not successful. Now, with a new management team spearheading efforts and licensing agreements with major global players, combined with increased emphasis on 1) industrial lightweighting and 2) declining production costs of ElectriPlast, **we believe the outlook has become substantially more favorable.**

OVERVIEW

Integral Technologies (OTC: ITKG) has a new management team, new strategy, new product and new alliances with leading partners. Originally incorporated in 1996, Integral Technologies has restructured and repositioned itself to focus on a **proprietary conductive plastic technology, ElectriPlast.** Management believes ElectriPlast has substantial commercial applications and potential. To expedite its go to market strategy for ElectriPlast, the company has signed several manufacturing and distribution agreements with leading global players and believes that products leveraging ElectriPlast could launch commercially within the next 12-18 months. Integral also appointed James Eagan, the chairman of its board, as CEO of a subsidiary established specifically to oversee the commercialization of ElectriPlast.

Management believes ElectriPlast technology has many commercial applications in a wide variety of industries. These include the auto industry, the aerospace, consumer electronics, and commercial aviation industries, among others. The company has sought development and commercialization partners for ElectriPlast in order to introduce ElectriPlast globally. Thus far, Integral has three partners, with one – Hanwha Corp. – seemingly the most promising for near-term commercial launch, we believe.

Industries Where ElectriPlast Could be Used		
Aerospace	Electric Vehicles	Mobile Communications
Alternative Fuels	Automotive	Satellite
Biotechnology	Green Sciences	Solar Energy
Building Materials	Hybrid Automotive	Space Exploration
Commercial Aviation	Industrial Electronics	Terrestrial Antennas
Construction	Life Sciences	Trains
Consumer Electronics	Medical Appliances	
Data Storage	Military and Defense	

Source: Company reports

What Is ElectriPlast?

ElectriPlast™ is a resin-based, electrically-conductive material. Similar to plastics and rubbers, ElectriPlast is malleable and can be molded into a wide variety of shapes and sizes. In contrast to metals such as steel or aluminum, it is non-corrosive and can therefore be used as an electrically conductive alternative to metal. Some of the industrial uses the company targets for commercial launch include substitution for heavier materials in automotive production, shielding for wire and cable, consumer electronics, connectors and cables, batteries, semiconductors, heated elements, sensors, antennas, medical devices, acoustics, fuses, capacitors, resistors, RFID, bus bars and terminals; lighting circuitry, switch actuators, resistors and thermal management components, among others.

ElectriPlast Commercial Applications		
Shielding	Shielding & Conduction	Conduction
Electronics	Consumer Batteries	LED's
Motors	Industrial Batteries	Fuses
Wire	Semiconductors	Capacitors
Connectors	Superconductors	Resistors
Cables	Heated Elements	Busbars
Power Inverters	Sensors	RFID
Power Converters	Antennas	Terminals
Battery Casing	Consumer Electronics	
EV Battery	Acoustics	

Source: Company reports

Competitive Advantages

Management believes that ElectriPlast has several competitive advantages compared to the materials it could replace that are traditionally used for the targeted applications. ElectriPlast is roughly 40-60% lighter than metal and is non-corrosive, as noted. ElectriPlast can also be molded to 1mm and maintain its performance, according to management. In addition, the turnaround time to customize ElectriPlast is fairly quick and it can be tailored for hot and cold resistivity, tensile strength, and electrical conductivity.

COMPANY BACKGROUND

Integral was originally incorporated in 1996 by William Ince and William Robinson and was focused on the antenna business. Its approach then was to work with OEMs to develop customized applications for its antennae-related technologies. The company had six antenna technologies that it hoped to launch

commercially in conjunction with the Center for Industrial Research Applications (CIRA) at West Virginia University. R&D efforts for those technologies led to the development of Electriplast.

In 2006, Integral entered into agreements with three companies to license the right to use ElectriPlast technology. Integral granted Kansas-based Heatron a non-exclusive license to use ElectriPlast for applications in the heating and LED lighting markets. Integral also granted Michigan-based ADAC Plastics, an automotive supplier that produces car door handles and other components, the right to use ElectriPlast for applications in car antennas, cup holder heating elements and driver's seat heating elements, among other uses. In addition, the company granted U.K.-based Esprit Solutions the right to use ElectriPlast technology for products in the Aerospace/Defense Interconnection and Protective Components Industry. The following year, Integral granted Knowles Electronics, a leading manufacturer of hearing aids, a license. None of these licensing deals led to a meaningful commercialization of ElectriPlast and Integral generated almost no revenue from them.

However, in 2011, Integral forged a deal that seemed as if it could finally **provide proof of concept of ElectriPlast's value** for the automotive sector, specifically the green automotive sector. The company entered into an OEM supplier agreement with Lear Corp. to incorporate ElectriPlast in the manufacture of electrical connectors to be installed on all Fisker Karma electric vehicles. The Fisker Karma was an electric car that was designed and engineered in California. It was a four-door, four-passenger plug-in hybrid. In 2012, Fisker began to manufacture its first electric cars using ElectriPlast; connectors using ElectriPlast went into production and were used on the Fisker Karma.

While this could have been a milestone in Integral's growth strategy, the car had a short commercial life. Fisker Automotive's battery supplier, A123 Systems, declared Chapter 11, forcing Fisker itself to terminate production in July 2012, having generated minimal revenue for Integral. Shortly after this, Integral's former CEO William Robinson resigned on November 8, 2012 and Doug Bathauer replaced him as CEO. In conjunction with this, Integral's board also appointed an independent director, Richard Blumberg, who has an extensive and varied background that includes degrees in engineering and law.

STRATEGY

We believe over the past 14 months Integral has made significant strides towards monetizing ElectriPlast. Although products using ElectriPlast have not launched commercially yet, under Doug Bathauer's leadership the company has prioritized four sectors for licensing to drive customer adoption: **automotive, consumer electronics, cable and wire, and telecommunications industries.**

To **expedite the commercial launch**, Integral has sought development and commercialization partnerships with companies that are well-capitalized and have extensive customer relationships. To help expand its operations globally, in 2013 the company signed important agreements with **Hanwha, Delphi** and **BASF** Corporation. Management believes these could be the first of many potential liaisons with suppliers, Tier1 manufacturers and OEMs. Integral also believes Hanwha may be the closest to a launch commercial.

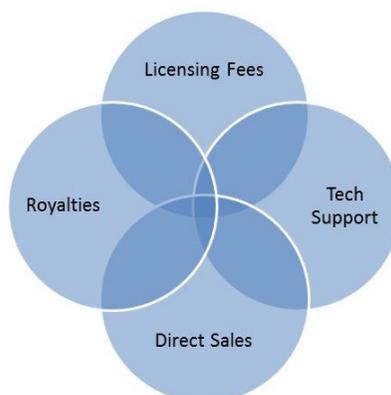
Focus on Engineering over Direct Sales

The partnerships enable the company to focus its limited resources on strengthening its engineering team. By leveraging the sales relationships that Hanwha, BASF and Delphi – and potentially others – have, Integral does not need to maintain a direct sales team of its own to drive customer penetration. The company can resume direct sales down the road, once revenue begins to ramp.

Integral's strategy is to generate income from up-front licensing fees as it signs manufacturing **license agreements** for the use of its patents and proprietary "know-how" for the manufacture of the ElectriPlast pellets. The company also expects to generate income from royalties as licensees sell products using

ElectriPlast. Moreover, management believes that engineering and technology support could ultimately become a separate revenue stream, particularly given that it has recently opened a new Tech Center (see below). In the future, if Integral builds an internal sales team, direct sales of ElectriPlast to certain industries could become another revenue stream.

Integral Strategy: Multiple Revenue Streams



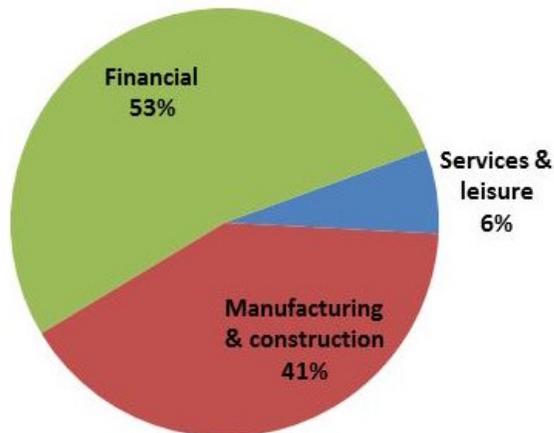
Source: Company reports.

KEY PARTNERSHIPS

Hanwha L&C Corp.

On June 21, 2013, Integral signed a 10-year licensing agreement with South Korea-based Hanwha L&C Corp. granting Hanwha an exclusive license to manufacture and sell ElectriPlast, in South Korea, as well as a non-exclusive license in Japan, Taiwan and China. Hanwha L&C is part of the Hanwha Group¹, one of the largest conglomerates in South Korea. Established in 1952, the Hanwha Group generated **consolidated revenue of \$35 billion in 2013**.

Hanwha Group Breakdown of \$35B Revenue, 2013



Source: Company reports

¹ Hanwha Group is on Forbes' list of Top Global Companies.

Hanwha is headquartered in Seoul, South Korea. Its various businesses include chemicals, munitions, plastics and materials for aerospace, automotive and consumer goods industries, as well as solar, pharmaceuticals, financial services, renewable energy, manufacturing and construction. In addition, Hanwha entered the touch screen panel market in 2012 and has become a supplier of components for smart mobile devices such as ITO (Indium Tin Oxide) glass and ITO film. Parent company Hanwha Group's shares trade on the Korean Stock Exchange and are valued at over \$2.1 billion.

In describing its Manufacturing and Construction segment, Hanwha notes that the segment is, "expanding in new directions. Developing and acquiring new technologies that will power tomorrow's high-growth industries is vital ..."

Hanwha's ElectriPlast Line Operational

In April 2014, Integral announced that Hanwha had opened its production line dedicated to ElectriPlast. With the line operational, **Hanwha is currently moving up the learning curve with ElectriPlast** and Integral anticipates that Hanwha will have prototypes available sometime in the next quarter to begin the commercialization process.

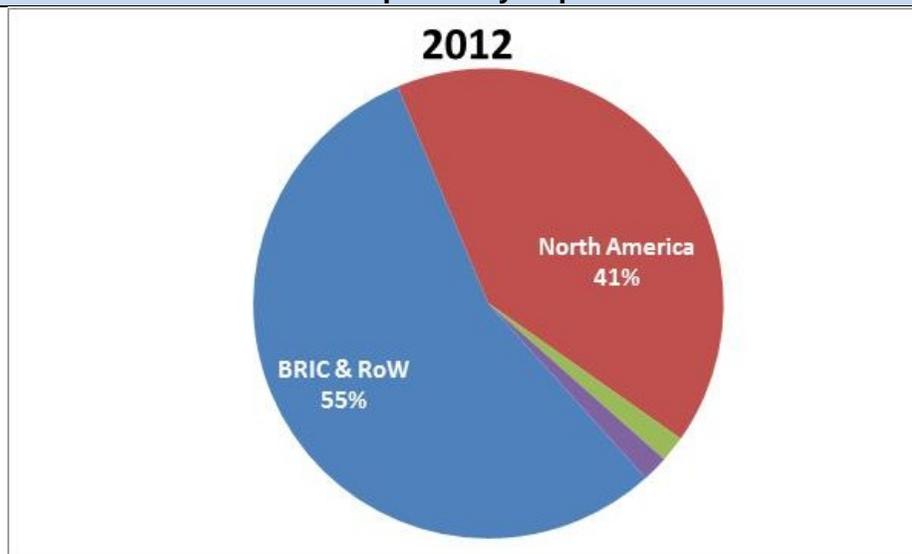
Hanwha paid Integral a one-time license fee of \$500,000. While \$500,000 may not be a meaningful sum for a company Hanwha's size, it nevertheless reflects a level of confidence, we believe, Hanwha has in its ability to monetize the license and gives it incentive to get ElectriPlast to market quickly, in our view. In addition, Hanwha will pay a royalty for the ElectriPlast that it sells.

Integral views Hanwha as the cornerstone of its strategy to penetrate markets in the overall region. Integral can leverage this relationship to fulfill orders from China, Japan and other countries in the Pacific Rim. In fact, management believes that recent introductory discussions that it has had with potential partners in the Pacific Rim might not have even occurred without the Hanwha relationship. Using Hanwha as its supplier of ElectriPlast for this region is more cost efficient, we believe, than producing out of Indiana at its Jasper Rubbers (see below) facility and shipping product to the Pacific Rim. The Hanwha relationship is therefore key to ElectriPlast's potential in what is anticipated to be a rapidly growing market for automobiles.

China is an Important Market

China is the largest automobile market in the world, with 19 million new vehicles sold in 2012 and 18% per annum growth in 2006- 2012. According to McKinsey, the source of automotive industry profits has changed dramatically over the past few years. McKinsey notes that in 2012, the BRIC markets and RoW accounted for 55% of global automotive industry profits, up from only 30% in 2007. Sales in these markets grew 65%, outperforming growth in Europe, North America, Japan, and South Korea, with more than 50% of the growth coming from China alone. McKinsey forecasts that by 2020, global profits for automotive OEMs could grow by nearly 50%, generated primarily from emerging markets. If Integral can target China and other markets in the region with Hanwha, it could represent significant potential for ElectriPlast, in our view.

Regional Sources of Automotive Profits Captured by Top 17 OEMs



Source: IHS Automotive; McKinsey

Hanwha is Key

We believe both the Delphi and BASF relationships are still at the exploratory stages, with each company evaluating ElectriPlast to determine its potential uses and how they could bring it to market. Conversely, Hanwha has already opened a manufacturing line dedicated to ElectriPlast. Integral management believes that Hanwha could have prototypes available in the short-term and bring ElectriPlast products to market within the next 12-18 months.

Delphi Automotive PLC

In June 2013, the company entered into a co-development agreement with Delphi Automotive PLC. Delphi Automotive is a leading global supplier of electronics and technologies for automotive, commercial vehicle and other market segments. The two companies will jointly develop wire and cable insulation applications using ElectriPlast. Integral and Delphi will focus their combined efforts on replacing the copper braiding in wire and cable applications with the lighter and non-corrosive ElectriPlast.

Delphi has a global footprint, with technical centers, manufacturing and customer support facilities in 32 countries. It also has large wire and cable customers. Integral hopes to leverage Delphi's distribution channels to drive commercial adoption of ElectriPlast in the sector.

The wire and cable industry is roughly a \$115 billion industry. Integral's application is to replace the metal shielding around the cable. The company believes that ElectriPlast has competitive advantages versus the metal that is currently used, including that the manufacturing process is more efficient and that it is lighter weight. The company expects the bulk of cable and wire demand to eventually come from higher voltage cables in transportation and consumer electronics.

BASF Corporation

In June 2013, the company signed a Letter of Intent with BASF Corporation to jointly explore opportunities and product development of ElectriPlast. Headquartered in Germany, BASF is a leader in the chemical sector, with 2013 revenue of €74.0 billion (\$100 billion). BASF's product portfolio ranges from chemicals, plastics, performance products and crop protection products to oil and gas. *Chemical & Engineering News* magazine ranked it #1 among the world's chemical players. Along with BASF, the company intends to approach key OEMs and Tier 1 manufacturers with opportunities for conductive thermoplastics as a lightweight material alternative to metals.

While it is still early days for ElectriPlast, **we are impressed with the Delphi Automotive, BASF and Hanwha alliances and believe that it reflects well on ElectriPlast 's commercial viability**, although we believe that Delphi and BASF are still evaluating and testing ElectriPlast to determine what, if any, commercial applications it could have for their product lines.

On the other hand, Hanwha has already opened a production line dedicated to ElectriPlast. Moreover, Integral received an upfront payment from Hanwha that we believe underscores the potential value Hanwha sees in ElectriPlast. If Hanwha launches products using ElectriPlast in the near-term, in our view, it could provide proof of concept of ElectriPlast's commercial viability and serve as a catalyst for ITKG shares.

Manufacturing Agreement With Jasper Rubber, Inc.

Although Integral might eventually take the manufacturing of ElectriPlast in-house once it reaches a certain revenue level and scale, it currently outsources the manufacturing to Jasper Rubber, an Indiana-based company that was founded in 1949. Privately-held Jasper Rubber is a leading developer of rubbers and plastics. It manufactures a full range of products for customers in the major appliance, oil filter, and automotive industries. Integral entered into this manufacturing agreement with Jasper in 2006.

Integral has worked with Jasper to oversee the manufacturing and molding process of ElectriPlast. The Jasper facility has production capacity able to meet the company's current and near term projected needs as well as the ability to rapidly increase capacity.

Tech Center

In January 2014, the company opened a new Tech Center strategically located in Detroit.

Management believes the nearby auto industry offers substantial prospects for commercialization of ElectriPlast and the sector is one of four that Integral has prioritized. The company expects the Tech Center to address what it believes will be rising demand for Integral's technical expertise in conductive plastics as its customer base grows. The Tech Center could also play an important role in helping OEMs and the automobile industry assess the reliability and flexibility of ElectriPlast, we believe.

Integral plans to grow its engineering staff as its business ramps and the center can be expanded. It also enables internal testing, engineering and product development, allowing Integral to conduct material testing itself rather than relying on outside consultants. Concurrent with the opening of this facility, Integral closed an older facility in Fort Washington, Pennsylvania; as a result, the net impact was neutral to OpEX.

Management also expects that the Detroit Tech Center will help further its goal of expanding its strategic relationships with BASF, Delphi Automotive and Hanwha, as well as with future partners. The engineering staff at the Tech Center has more than 50 years of collective expertise. Moreover, the company recently announced the hiring of Bob Pavlovic to its Tech Center engineering team. He has more than 34 years of experience in the auto and aircraft among other industries.

CARBON FIBER

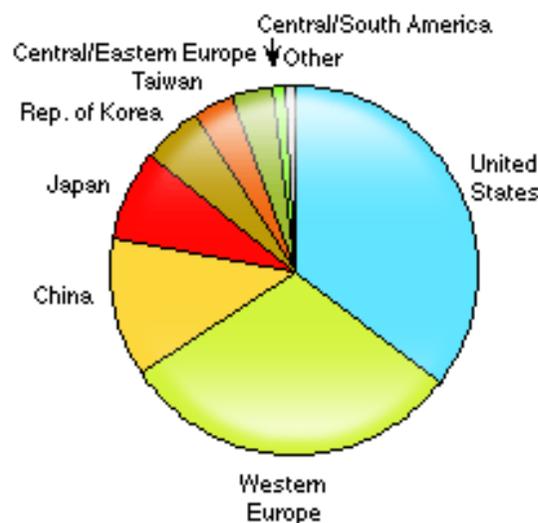
Falling Carbon Fiber Prices Could Help Drive ElectriPlast Penetration

One factor that has constrained adoption of ElectriPlast until now has been its cost, reflecting the high raw material cost of carbon fiber, a critical component used in its production. However, largely reflecting falling carbon fiber prices, the price of ElectriPlast has declined by more than 50% over the last two years, according to management. The DOE has indicated that it would carbon fiber prices to come down further. DOE's goal is to reduce carbon fiber production costs by 50%, which prompted the opening of the a Carbon Fiber Technology Facility at Oak Ridge National Laboratory to help develop more efficient and less costly processes for producing carbon fibers². If carbon fiber prices continue to fall, we believe it could make ElectriPlast more cost effective as a lightweight alternative material and drive ElectriPlast adoption.

Carbon fiber or graphite fiber was invented at Union Carbide's Parma Technical Center in Ohio in 1958. It "is a strong, lightweight material that can replace steel and other heavier metals to lower the cost and improve performance of many technologies, including fuel-efficient vehicles and renewable energy systems," according to the Office of Energy Efficiency and Renewable Energy. In turn, this could make carbon fiber based ElectriPlast a cost effective substitute in the production of lightweight and clean tech vehicles, as well as in a wide variety of other commercial applications. The DOE believes that next gen carbon-fiber composites could "reduce passenger car weight by 50% and improve fuel efficiency by about 35% without compromising performance or safety" and result in the savings of more than \$5,000 in fuel over the life of the car.

According to HIS, a leading consulting firm, "Compared with conventional construction materials such as aluminum or steel, carbon fiber composites have some highly desirable properties. Structural members made from these composites can be designed to have twice the strength and more than twice the fatigue resistance of steel; also, they can be twice as stiff as aluminum at half the weight."³ Furthermore, "continued improvements in performance coupled with increased availability are expected to boost consumption in all regions and applications... **Consumption of carbon fibers in industrial applications is forecast to grow at an average annual rate of 12.6% during 2012–2018.**"

World Consumption of Carbon Fibers, 2012



Source: IHS

² <http://energy.gov/eere/vehicles/articles/energy-department-announces-12-million-technologies-produce-renewable-carbon>

³ <http://www.ihs.com/products/chemical/planning/ceh/carbon-fibers.aspx>

MARKET OPPORTUNITY FOR ELECTRIPLAST

Significant Demand Expected from Auto Industry

Fueled by government mandates to drive energy efficiency and the corollary need to substitute lighter weight materials in the automotive and other industries, coupled with more competitive pricing as raw material costs decline, **ElectriPlast could be poised for considerable growth**, we believe. Macroeconomics factors expected to drive demand for alternate materials such as ElectriPlast include government regulations requiring the automotive industry to reduce CO₂ emissions. In 1975, Congress passed CAFÉ (Corporate Average Fuel Economy) legislation that was originally intended to reverse a downward trend in gas mileage per gallon (mpg), which had fallen to 12.9 miles in 1974. The 1975 legislation mandated that cars reach 18 mpg by 1978 and 27.5 by 1985. The government has mandated that by the year 2025 auto manufacturers comply with CAFÉ standards to reach 54.5 mpg in order to become more energy efficient.

In 2009, cars averaged 32.5 CAFE mpg and trucks averaged 24.5, according to *Car and Driver Magazine*.⁴ The Obama administration's mandate is expected to nearly double fuel efficiency by 2025. According to the U.S. Transportation Secretary Ray LaHood, "new standards are expected to promote innovation and the development of new technology."

Light Weighting

To help the industry reach these goals, on May 21, 2010, President Obama asked the EPA and NHTSA to jointly develop a national program that would "produce a new generation of clean vehicles," to lower energy usage. According to the Center for Automotive Light weighting (NCAL), **light weighting** or incorporating lightweight materials in automobile production as substitutes for traditional, heavier materials will boost fuel efficiency and lower emissions substantially. For this reason, "OEMs are still searching to develop strategies and technical solutions for cost-effectively integrating lightweight materials into multi-material vehicles and securing lightweight materials and components on a global platform," according to the GALM (Global Automotive Lightweight Materials).

While there have been concerns that the new standards will raise the cost of automobiles, several auto manufacturers are already producing lines of lighter weight vehicles. These include the Mercedes S-class or Lamborghini Aventador lines. The BMW i3 "is the first production vehicle to use an all carbon fiber passenger cell," according to *High-Performance Composites* magazine. Both GM (GM-not rated) and Ford (F-not rated) have indicated their intentions to light weight their vehicles in order to comply with the mandates.

Light weighting: Recent Automotive Launches

BMW I Series Electric vehicles
Mercedes S-Class
Lamborghini Aventador
McLaren P1 plug-in hybrid

Source: Company reports, *Car & Driver Magazine*

⁴ *The CAFE Numbers Game: Making Sense of the New Fuel-Economy Regulations, Car and Driver, November 2011*

McKinsey notes:

Carbon dioxide regulation is likely to continue to tighten, and not just in Europe. China, the US, and Japan have also enacted laws to reduce emissions. One immediate result will be higher costs. Because the easy things have already been done, the price of cutting future emissions is rising. In Europe, the 2020 target might be reached with the help of advanced conventional technologies, but **to meet the overall fleet targets, more electrification could be necessary** (especially for premium players). This will push OEMs to invest more in e-mobility, meaning electrical/hybrid powertrains, including batteries, as well as in lightweight and aerodynamic drag-reducing technologies.

Consumer adoption of electric vehicles (EVs) is outpacing those of earlier hybrids, according to IHS. The Toyota's Prius had cumulative sales of more than 52,000 cars four years after its 2000 launch. Conversely, four years after the debut of the Nissan Leaf EV, its cumulative sales are approaching the 100,000 mark. Cumulative sales of the Chevrolet Volt/Ampera plug-in hybrid electric vehicle (PHEV) were almost 70,000 four years after its debut.⁵

It is still early days for light weighting. NCAL has indicated that the automotive industry lacks data about lightweight substitutes, but "more accurate data and material models will lead to more accurate die designs, reducing die tryouts and new model development costs." We believe this implies **substantial willingness on the part of automotive manufacturers and OEMs to test ElectriPlast** and potentially adopt its use. Automotive light weighting initiatives have accelerated over the past two years, according to GALM.

Carbon fiber compared to other lightweight materials has the "biggest weight advantage, new design opportunities, but highest cost," McKinsey indicates. Given the high cost, McKinsey believes that OEMs will "apply different lightweight packages with respect to car class and powertrain," with the highest percentage of lightweight material used in the premium, luxury automobile segment. However, the study also projects that the cost of carbon fibers will decline over time reflecting technological improvements in its production. In turn, this will make carbon fiber based products such as ElectriPlast more cost competitive, in our view.

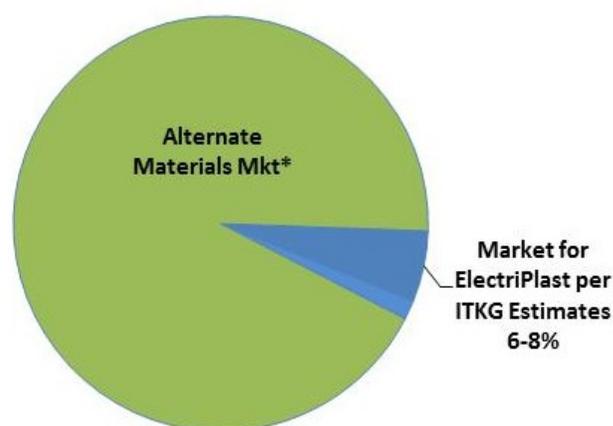
McKinsey estimates that "the overall lightweight market in automotive will increase from €70 billion to €300 billion" and "carbon fiber, which we have seen as essential components of the moderate and the extreme lightweight packages, will experience two decades of strong growth, with carbon fiber reaching a CAGR of almost 20 percent."

The reduction of weight of a vehicle's body has corollary benefits of reducing the weight of other vehicle properties. Some 25% to 30% of the weight a car is made up of its metal body. Reductions in the weight of the body can also lead to further weight savings in other components such as the powertrain, braking, and suspension systems. This has lowered the percentage of steel used in a car's production, as manufacturers substitute plastics and other lighter weight materials. Since the 1970s, the share of mild steel in a car has declined roughly 30% by weight, while the share of aluminum has tripled, and the use of plastics has increased by more than 80%, according to IHS. Even so, plastics still only comprise approximately 11% of the weight of an automobile.⁶ Components such as doors, hoods and fenders that were traditionally produced from steel are more frequently being manufactured using lighter weight materials.

⁵ <http://press.ihs.com/press-release/automotive/electric-car-sales-are-stronger-they-might-seem>

⁶ <http://www.ihs.com/products/automotive/newsletter/sep-2013/heat-steel.aspx>

Market for Alternative Materials for Lightweighting*



Source: *McKinsey, Company reports.

According to *High-Performance Composites* magazine, the automotive market “appears to be in the early stages of a long-term and substantial increase in the application of carbon fiber to structural and semi-structural production vehicle components.” **We believe these trends suggest that there could be a growing opportunity for ElectriPlast.**

McKinsey notes that, “the use of lightweight materials in ... three industries ... – automotive, aviation, and wind – will increase significantly in volume over the next two decades, creating a market of more than €300 billion for high-strength steel, aluminum, and carbon fiber.”⁷ Integral anticipates that by 2020 the annual **opportunity for ElectriPlast could be \$30 billion to \$38 billion**. This represents *only 6% to 8% of the total opportunity* that McKinsey forecasts for lightweight materials.

ElectriPlast - Potential Revenue Impact on Integral

Through licensing deals:

Potential market for ElectriPlast (\$ Bns)	\$30	\$38
Market share that ITKG licensing partners achieve	5%	10%
Revenue attributable to ITKG licensees (\$ Mns)	\$1,500	\$3,800
ITKG licensing fee	5%	7%

Revenue attributable to ITKG (\$ Mns)	\$75	\$266
--	-------------	--------------

Through direct sales:

Market share that ITKG itself achieves	5%	10%
Revenue to ITKG (\$ Millions)	\$1,500	\$3,800

Source: Company reports, Zacks estimates

If ElectriPlast obtains some share of that total \$30-\$38 billion through its licensing relationships, we believe it could represent \$75 million to \$266 million in revenue to Integral. Specifically, if ElectriPlast licensees garner a 5% market share, it equates to \$1.5 billion. If Integral recognizes 5% of that \$1.5

⁷Lightweight, heavy impact, *How carbon fiber and other lightweight materials will develop across industries and specifically in automotive*, February 2012

billion as revenue from licensing fees, it equates to \$75 million (\$30 billion x 5% market share x 5% license fee). If licensees garner a 10% market share and the opportunity is \$38 billion, it equates to \$3.8 billion. If Integral recognizes 7% of that \$3.8 billion as licensing fees, it implies \$266 million (\$38 billion x 10% market share x 7% license fee) to Integral. If in the future the company rebuilds its internal sales team and obtains a 5%-10% share through direct sales, we estimate that could represent some \$1.5 billion to \$3.8 billion in revenue to Integral.

COMPETITION

Other companies that produce carbon fiber based materials include Japan's Toray Industries, the leading producer of carbon fiber based materials. Toray has manufacturing and distribution sites in the U.S. and Europe, as well as in its home market of Japan. In its latest fiscal year ended March 2014, Toray achieved ¥113.3 billion (\$1.1 billion) in revenue from its carbon fiber materials, which represented a 46% year-over-year increase. Of that, 45% was for industrial use, 16% for sports and 39% for aerospace. Toray recently acquired Zoltek, which we believe strengthened its position with the automotive sector. Zoltek's stated "objective is to make the adaptation of carbon fiber technology and processes easy and efficient for automotive companies and their suppliers by developing new production methods that will enable customers to fabricate cost-effective carbon fiber intermediate products." Other carbon fiber producers include Hexcel Corporation and Cytotec Industries, Toho Tenax, Mitsubishi and SGL Group.

While there are other, better capitalized companies engaged in the production of carbon fiber based materials, Integral believes that ElectriPlast has several competitive advantages, including a strong patent position that covers several applications and manufacturing processes, management expertise, relationships with licensees and early mover advantage in what is still a nascent niche.

Extensive IP Portfolio

Integral has a broad IP portfolio, which management believes creates a competitive advantage for ElectriPlast. Integral has 51 active patents that cover a variety of applications for ElectriPlast, as well as the manufacturing process. Integral holds patent protection on applications including antennas, electronics shielding, lighting/LED circuitry, motors, switch actuators, resistors, medical devices, thermal management, toys and cable connector bodies, among others.

Build Brand Awareness

The company hopes to build brand awareness of ElectriPlast as products begin to roll-out. The company has one registered US trademark for INTEGRAL. The company also has pending trademark applications for ELECTRIPLAST™ and for WHERE LIGHTWEIGHTING STARTS.

With an eye towards its global go-to-market strategy, Integral has also registered ELECTRIPLAST in China, Japan, Europe and Taiwan, plus a pending trademark application in Korea for ELECTRIPLAST™. Integral also has pending trademark applications in China, Japan, Europe, Korea and Taiwan for WHERE LIGHTWEIGHTING STARTS™.

Tech Center as Competitive Advantage

Management believes that its new Detroit Tech Center could also create another competitive advantage, as it is strategically located near the auto industry. Over time, Integral believes that technology and engineering support could become a separate source of incremental revenue. The Tech Center enables Integral to conduct material testing internally and for potential partners instead of using outside consultants.

Management Experience and Expertise

The company also believes the collective experience and expertise of its management team is another competitive advantage. For example, Integral recently hired Bob Pavlovic, who has extensive experience in engineering. He and Mohamad Zeidan, the CTO of ElectriPlast Corporation, have extensive expertise, according to management, about conductive plastic applications. Bob Pavlovic spent eight years at Lear Corporation as VP of Global High Voltage/High Power (HV/HP) Systems and Components. He also helped design the Fisker Karma, according to management. He has more than 35 patents, including seven that are related to conductive plastics application.

Mohamad Zeidan, who is the CTO of ElectriPlast Corporation, also comes from Lear Corporation, where he was CTO of Lear's Electrical Division, as well as Director for Hybrid Engineering/Advanced Engineering/Systems Engineering for Lear. He holds 11 patents.

VALUATION

Three Investment Scenarios

Our earlier analysis suggests that the potential revenue opportunity for Integral through licensing relationships could range from \$75 million to \$266 million. We believe the base case scenario is that ElectriPlast garners a 10% market share of management's identified \$30 billion to \$38 billion opportunity. The bull case, in our view, is that ElectriPlast garners a substantially higher percentage, with the majority through higher revenue generating direct sales. Conversely, the bear case is that, for a variety of reasons including costs or competition, ElectriPlast does not gain traction as an alternate material for light weighting. In our base case scenario, we project that licensing revenue, primarily from Hanwha, begins in Year 1 post commercial launch of ElectriPlast products and ramps substantially in future years.

Base Case

- The market for ElectriPlast is \$30-\$38B.
- ElectriPlast garners a 10% market share primarily through its licensing partners.
- Revenue begins to ramp in Yr1 and continues to grow over time.

Bull Case

- The market for ElectriPlast is \$30-\$38B or larger.
- ElectriPlast garners a 40% market share, with half of that through direct sales.
- Revenue ramps quickly beginning in Yr1.

Bear Case

- The market for ElectriPlast is substantially smaller than \$30-\$38B
- Because of costs or competition from other producers, ElectriPlast fails to gain traction.
- ElectriPlast garners an insignificant market share.
- ElectriPlast revenue never becomes material.

Integral Technologies Peer Analysis

Company	Ticker	6/7/2014	52-Week		Revenue (\$M)			EPS		
		Price	High	Low	2013A	2014E	2015E	2013A	2014E	2015E
<i>Chemicals / Specialty Materials</i>										
Cytec Industries Inc.	CYT	101.26	102.09	70.45	1,940	2,020	2,160	4.80	5.77	6.54
E.I. du Pont	DD	69.67	69.75	52.02	35,730	36,600	38,930	3.88	4.31	4.86
Esterline Technologies*	ESL	116.98	118.48	69.16	1,970	2,120	2,210	5.64	5.60	6.55
Hexcel Corp.	HXL	43.54	46.46	32.75	1,680	1,860	2,050	1.85	2.13	2.46
Kyocera Corp.**	KYO	46.01	57.78	42.85	14,110	14,460	14,870	2.36	2.44	2.58
Polyone	POL	42.13	42.47	23.78	3,770	4,110	4,350	1.31	1.80	2.44

	Mkt Cap (\$M)	EV / Revenue			P/E		
Cytec Industries Inc.	3,631	2.2x	2.1x	1.9x	21.1x	17.5x	15.5x
E.I. du Pont	63,981	1.8x	1.8x	1.7x	18.0x	16.2x	14.3x
Esterline Technologies*	3,740	2.1x	2.0x	1.9x	20.7x	20.9x	17.9x
Hexcel Corp.	4,258	2.7x	2.4x	2.2x	23.5x	20.4x	17.7x
Kyocera Corp.**	16,880	1.0x	1.0x	0.9x	19.5x	18.9x	17.8x
Polyone	3,965	1.2x	1.1x	1.1x	32.2x	23.4x	17.3x

Source: Company reports, Yahoo Finance, Zacks
 FYs ends in *October and **March.

No Direct Peers But Some Comparables

We benchmark Integral against some companies in the specialty materials business, although we believe none are directly comparable. The multiples range from 1.0x to 2.4x on an EV / projected revenue basis, with the average at 2.1x excluding Kyocera. We would expect ITKG shares to trade at a premium to the group, reflecting higher growth prospects *if ElectriPlast launches successfully*. A 3.5x multiple on Year 3 projected revenue implies a share price of about \$0.40.

Separately, in September 2013, Toray Industries agreed to acquire **Zoltek** for \$16.75 per share in cash. As noted, Zoltek produces carbon fiber materials and it targets automotive companies and their suppliers. The price Toray agreed to pay valued Zoltek at \$584 million. Based on \$140 million in revenue that Zoltek recorded in its fiscal year ended September 2013, that represented an EV/Revenue multiple of 4.0x. Applying that multiple to Integral's projected Year 3 revenue implies that ITKG shares could trade up to about \$0.45 per share. If Integral continues to strengthen its balance sheet, further unleashing value for shareholders, all else being equal it would imply a price of \$0.60.

Conclusion risk/ reward

ElectriPlast – and Integral – are still “show me” stories at this early stage, in our view. Nevertheless, we believe that at the current share price, the risk / reward ratio is attractive for investors who can assume higher than average risk. We initiate coverage of ITKG with a Buy on the shares and note that ITKG represents a speculative opportunity *if the company successfully executes its strategy to commercialize ElectriPlast*. This is still unproven and the timing of potential commercialization is unclear. We expect these factors to constrain the multiple until there is greater evidence of the strategy gaining traction. We initiate coverage with a price target of \$0.45 on an anticipated EV / revenue multiple of about 3x combined with balance sheet improvements. This is some 46% below ITKG's 52-week high of \$0.83.

Earlier attempts to commercialize ElectriPlast were not successful. Now, with a new management team spearheading efforts and licensing agreements with major global players, combined with the tailwind of increased emphasis on 1) industrial lightweighting and 2) declining production costs of ElectriPlast, **we believe the outlook has become substantially more favorable.**

MANAGEMENT

CEO Doug Bathauer has been Integral's CEO since former CEO William Robinson resigned on November 8, 2012. Prior to becoming the company's CEO, he served as VP of Corporate Development for Integral, overseeing corporate communications and business development, among other efforts. His background is in the financial services industry, where he provided financial and investment advice to early stage and small growth companies in a range of sectors including consumer product, technology and renewable energy.

CFO Bart Snell joined the company on February 20, 2014. He has significant experience as CFO, having served as CFO of IBM Australia, as well as of several privately-held companies including terrestrial and satellite wireless network provider Motient Corp. from February 1999 - July 2002 and publishing services company Aptara Corp. from June 2004 - September 2007. He is also CEO of PowerSource Solutions, an executive consulting company.

President & CEO, ElectriPlast Corporation James Eagan is the chairman of Integral's board and was recently appointed the President and CEO of its wholly owned subsidiary, ElectriPlast Corporation. Prior to Integral, he had been an executive in the satellite telecommunications sector. He co-founded a satellite company called ORBCOMM LLC. Prior to ORBCOMM, he worked at Lockheed Martin.

FINANCIAL HISTORY

Fiscal 2013

Throughout the company's operating history, Integral has generated only modest revenues and incurred operating and net losses. In the fiscal year ended June 30, 2013, the company generated a net loss of \$3.7 million compared to a net loss of \$3.4 million in fiscal 2012. The loss widened as the company's spending on consulting, legal and accounting fees increased. In addition, G&A expense rose to \$235,835 compared to \$118,352 for fiscal 2012, as Integral's fiscal 2013 expenses included new directors and officer's insurance premiums. These increases were offset by an increase on a gain on extinguishment of debt of \$355,022, an increase in net gain on settlement of convertible debentures of \$26,189 and a decrease in salaries of \$165,000.

Strengthening Balance Sheet

Integral has funded its working capital and CapEx needs through a combination of private placements of equity, convertible instruments and debt issuances. As of March 31, 2014, the company had \$755,971 in cash on its balance sheet, up from \$532,308 at June 30, 2013. Integral has focused on **strengthening its balance sheet** in recent months. Integral has eliminated convertible notes that it had issued to Asher Enterprises in 2012. On May 1, 2014, Integral repaid a \$96,681.70 outstanding convertible promissory note to Asher Enterprises and converted \$55,120.00 into 342,035 ITKG shares. It still has convertible notes outstanding to JMJ Financial.

RECENT NEWS

- In January 2014, Integral appointed its Chairman of the Board, James Eagan, as CEO of ElectriPlast Corp. As noted, he has extensive experience in the satellite telecommunication services sector.
- In February 2014, Integral appointed Bart Snell as CFO. That same month, Integral added Slobodan Pavlovic to its Detroit Tech Center engineering team.
- On March 31, 2014, Integral privately issued shares and warrants that equal a total of 6,744,251 ITKG shares for \$1,146,523.
- In April 2014, the company announced that Hanwha had launched its production line dedicated to ElectriPlast and together, the two companies target penetrating the South Korean CE (consumer electronics) market, as well as China's automotive market.
- On April 9, 2014, Integral repaid a \$79,978 convertible promissory note payable to Asher Enterprises.
- On April 29, 2014, Integral converted a \$55,120 note payable to Asher Enterprises into 342,035 ITKG shares.
- On May 1, 2014, Integral repaid a \$96,681 convertible promissory note to Asher Enterprises. As a result of this repayment and the transactions noted above, Integral no longer has any notes payable to Asher outstanding.

RISKS

- The biggest risk, in our view, is that the commercialization strategy for ElectriPlast with these three partners fails to materialize and Integral needs to seek new partners to implement its strategy.
- Market penetration and adoption for ElectriPlast could be slower than the company anticipates or could never materialize.
- The cost of ElectriPlast could remain too high to drive meaningful adoption in many industries.
- The cost of retrofitting manufacturing plants in order to use ElectriPlast as a substitute material could also constrain its adoption.
- Similar to many other developing companies, Integral is under-capitalized and will likely need to seek additional short-term funding until it reaches a certain revenue level.
- Jasper has agreed to a non-compete for 12-months after its manufacturing agreement with Integral ends. Thereafter, Jasper could take some of the expertise that it will have developed to begin manufacturing a competitor's technology.

INSIDE OWNERSHIP

Insiders do not hold as much of Integral's shares as we would like to see. Although collectively, insiders held 13.2% of ITKG shares as of September 2013, most of the shares are held by one of the company's board members. Richard Blumberg, who was appointed as an independent director to the company's board in November 2012, is the largest shareholder, with a 9.8% stake as of September 2013.

Nevertheless, we are encouraged that insiders have purchased shares recently. In May, CEO Doug Bathauer bought 7,500 ITKG shares and has indicated an interest in purchasing additional shares in the future.

PROJECTED INCOME STATEMENT AND BALANCE SHEET

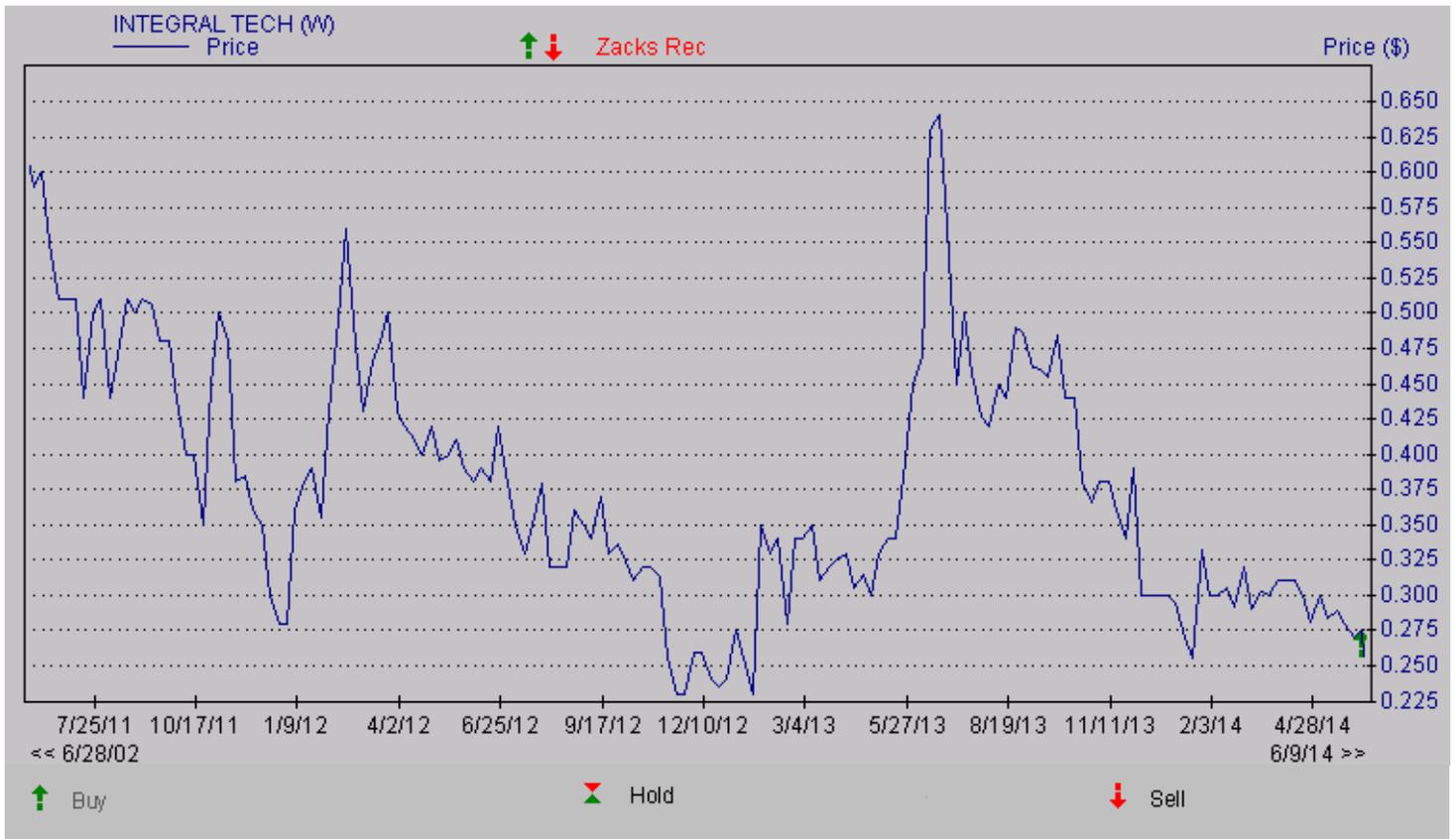
Integral Technologies, Inc. Income Statement & Projections						Post Commercial Launch of ElectriPlast				
(\$)	Sep-13	Dec-13	Mar-14	Jun-14						
	1Q14	2Q14	3Q14	4Q14E	FY13E	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue						1,500,000	6,000,000	11,400,000	19,380,000	29,070,000
Cost of Sales						270,000	1,080,000	2,052,000	3,488,400	5,232,600
Gross profit						1,230,000	4,920,000	9,348,000	15,891,600	23,837,400
Other Income	6,413	6,309	6,306	6,306	25,334	25,334	25,334	25,334	25,334	25,334
Consulting	891,663	558,693	175,078	176,829	1,802,263	811,018	819,128	827,320	835,593	843,949
Legal and accounting	105,398	103,992	22,771	22,999	255,160	178,612	180,398	182,202	184,024	185,864
Salaries and benefits	55,000	55,000	218,727	220,914	549,641	555,138	560,689	566,296	571,959	577,678
R&D	27,196	16,432	9,616	9,712	62,956	63,586	64,222	64,864	65,512	66,168
G&A	40,282	59,151	64,032	64,672	228,137	230,419	232,723	235,050	237,401	239,775
Travel and entertainment	40,600	14,119	47,473	47,948	150,140	151,641	153,158	154,689	156,236	157,798
Rent	21,888	16,514	7,639	7,715	53,756	54,294	54,837	55,385	55,939	56,499
Termination agreement			675,000	-	675,000	-	-	-	-	-
Telephone	3,413	3,955	2,748	2,775	12,891	13,020	13,151	13,282	13,415	13,549
Advertising	4,706	7,746	21,885	22,104	56,441	57,005	57,575	58,151	58,733	59,320
Total operating expense	1,190,146	835,602	1,244,969	1,257,419	4,528,136	2,114,733	2,135,880	2,157,239	2,178,811	2,200,600
Operating income	(1,183,733)	(829,293)	(1,238,663)	(1,251,050)	(4,502,739)	(859,399)	2,809,454	7,216,095	13,738,123	21,662,134
Bank charges & interest	62,088	174,688	154,853	156,402	548,031	157,500	154,350	151,263	148,238	145,273
Fair value derivatives	103,842	(93,270)	15,205	15,357	41,134					
Conv. debentures gain/ chg		(32,432)	-	-	(32,432)					
Gain/ (loss) debt exting.	(75,429)	27,142	(150,367)	-	(198,654)					
Financing fees	-	-	-	-	-	-	-	-	-	-
	90,501	76,128	19,691	19,888	206,208	157,500	154,350	151,263	148,238	145,273
Net Loss	(1,274,234)	(905,421)	(1,258,354)	(1,270,938)	(4,708,947)	(1,016,899)	2,655,104	7,064,832	13,589,885	21,516,861
Loss Per Share	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.06)	(\$0.01)	\$0.02	\$0.06	\$0.12	\$0.20
Avg. shares out (FD)	77,057,027	77,738,310	81,015,996	84,290,922	80,025,564	84,290,922	110,290,922	110,290,922	110,290,922	110,290,922

Integral Technologies, Inc. Balance Sheet

(\$)	Dec 2011	March 2012	June 2012	Sept 2012	Dec 2012	March 2013	June 2013	Sept 2013	Dec 2013	March 2014
Cash	249,435	284,342	172,173	321,890	284,222	169,064	532,308	309,784	41,878	755,971
Prepaid expense			19,723	111,276	80,928	50,580	20,232	30,227		46,106
Account receivable	-	-	-	-	-	-	250,000	-	-	-
Total Assets	\$249,435	\$284,342	\$191,896	\$433,166	\$365,150	\$219,644	\$802,540	\$340,011	\$41,878	\$802,077
Accounts payable and accruals	1,645,110	1,679,764	2,032,309	2,353,369	2,410,715	1,890,307	2,270,727	1,803,061	1,650,692	943,930
Loan payable						31,708				52,323
Promissory note payable		181,172	123,696	79,461	60,529	-	-	53,950	60,000	65,000
Deferred liability			-		67,273		25,000	25,000	25,000	25,000
Loan payable				103,423				20,189		
Convertible debentures	63,100	70,254	93,356	129,576	48,773	116,207	174,827	108,895	137,030	217,846
Derivative financial liabilities		46,135	84,718	105,610	56,426	107,616	414,102	517,109	300,117	271,957
Redeemable preferred stock	-	-	-	-	120,000	150,000	180,000	210,000	240,000	170,000
Total current liabilities	\$1,708,210	\$1,977,325	\$2,334,079	\$2,771,439	\$2,763,716	\$2,295,838	\$3,064,656	\$2,738,204	\$2,412,839	\$1,746,056
Deferred Liability			-				225,000	218,750	212,500	206,250
Redeemable Preferred Stock			-		180,000	150,000	120,000	90,000	60,000	-
Promissory note payable	-	-	-	-	-	-	-	-	215,000	450,000
Total Liabilities	\$1,708,210	\$1,977,325	\$2,334,079	\$2,771,439	\$2,943,716	\$2,445,838	\$3,409,656	\$3,046,954	\$2,900,339	\$2,402,306
Total Stockholders' Deficit	(\$1,458,775)	(\$1,692,983)	(\$2,142,183)	(\$2,338,273)	(\$2,578,566)	(\$2,226,194)	(\$2,607,116)	(\$2,706,943)	(\$2,858,461)	(\$1,600,229)
Total Liabilities and Stockholders'	\$249,435	\$284,342	\$191,896	\$433,166	\$365,150	\$219,644	\$802,540	\$340,011	\$41,878	\$802,077

Source: Company reports, Zacks

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (“Zacks SCR”), a division of Zacks Investment Research (“ZIR”), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Marla Backer, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1083 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 16.1%, Hold/Neutral- 77.7%, Sell/Underperform – 5.4%. Data is as of midnight on the business day immediately prior to this publication.